MAMUSA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

MAMUSA LOCAL MUNICIPALITY

Trading as Mamusa Local Municipality
Annual Financial Statements for the year ended 30 June 2012

GENERAL INFORMATION

LEGAL FORM OF ENTITY	Local Municipality
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Service delivery
MAYORAL COMMITTEE	
Mayor	A Motswana
Councillors	RM Lee
	CP Herbst
	OM Stephen
	NG Masilo
	GG Mosebetsi
	SDJ Strydom
	PM Maine
	MY Moyake
	BT Thekiso
	TM Sepato
	JJ Modisapudi
	KM Setshameko
	LD Motlapele
	KM Mere
ACCOUNTING OFFICER	R Gincane Municipal Manager
CHIEF FINANCE OFFICER (CFO)	S Mini
REGISTERED OFFICE	No 2 Schweizer Street Schweizer Reneke 2780
POSTAL ADDRESS	P O Box 5 Schweizer Reneke 2780
BANKERS	First National Bank
AUDITORS	Auditor General of South Africa

MAMUSA LOCAL MUNICIPALITY

Trading as Mamusa Local Municipality
Annual Financial Statements for the year ended 30 June 2012

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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ABBREVIATIONS

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or surplus.

I certify that the salaries, allowances and benefits of Councillors as disclosed in the notes to the attached Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.

Accounting Officer
R Gincane - Municipal Manager

ACCOUNTING OFFICER'S REPORT

The accounting officer submits his report for the year ended 30 June 2012.

1. REVIEW OF ACTIVITIES

MAIN BUSINESS AND OPERATIONS

2. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. SUBSEQUENT EVENTS

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

STATEMENT OF FINANCIAL POSITION

	Note(s)	2012 R	2011 R
ASSETS			
CURRENT ASSETS			
Receivables from exchange transactions	3	855 601	1 249 954
VAT receivable		1 410 200	-
Consumer debtors	4	42 688 394	27 566 691
Cash and cash equivalents	5	6 774 125	4 221 283
		51 728 320	**33 037 928**
NON-CURRENT ASSETS			
Property, plant and equipment	2	111 311 373	90 660 741
		111 311 373	90 660 741
Non-Current Assets		51 728 320	33 037 928
Current Assets		**163 039 693**	**123 698 669**
Total Assets			
LIABILITIES			
CURRENT LIABILITIES			
Bank overdraft	5	4 263 362	3 479 877
Current portion of long-term loan	6	745	57 316
Unspent conditional grants and receipts	7	21 771 770	13 662 499
Provisions	8	411 574	306 916
Payables from exchange transactions	9	25 129 648	31 945 663
VAT payable	10	-	2 120 573
Consumer deposits	11	911 016	885 205
		52 488 115	**52 458 049**
NON-CURRENT LIABILITIES			
Provisions	8	11 114 413	10 335 357
		11 114 413	10 335 357
Non-Current Liabilities		52 488 115	52 458 049
Current Liabilities		**63 602 528**	**62 793 406**
Total Liabilities			
		163 039 693	123 698 669
Assets		(63 602 528)	(62 793 406)
Liabilities		**99 437 165**	**60 905 263**
Net Assets			
NET ASSETS		99 437 165	60 905 263
Accumulated surplus			

STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2012 R	2011 R
Revenue			
Property rates	13	6 201 232	5 743 635
Service charges	14	42 320 075	33 573 318
Fines		-	8 400
Licences and permits		2 559 067	2 224 855
Government grants & subsidies	15	37 326 588	36 183 646
Commissions received		-	40 608
Rental of facilities & equipment		382 616	384 893
Other income	16	130 988	1 101 968
Interest received - investment	21	9 556 520	7 266 201
Total Revenue		**98 477 086**	**86 527 524**
Expenditure			
Personnel	18	(27 390 263)	(28 353 969)
Remuneration of councillors	19	(3 105 636)	(2 432 078)
Debt impairment	20	(2 353 001)	(2 654 194)
Depreciation and amortisation	22	(690 691)	(968 811)
Finance costs	23	(132 109)	(157 876)
Repairs and maintenance		(2 118 759)	(3 387 558)
Contracted services	25	(1 021 899)	(424 515)
Grants and subsidies paid	26	(1 200)	-
Bulk purchases	27	(14 252 250)	(15 565 891)
General Expenses	17	(23 131 626)	(22 541 709)
Total Expenditure		**(74 197 434)**	**(76 486 601)**
Revenue		98 477 086	86 527 524
Expenditure		(74 197 434)	(76 486 601)
Other		-	-
Surplus for the year		**24 279 652**	**10 040 923**

STATEMENT OF CHANGES IN NET ASSETS

	Accumulated surplus R	Total net assets R
Balance at 01 July 2010	**35 298 449**	**35 298 449**
Changes in net assets		
Surplus for the year	25 606 814	25 606 814
Total changes	25 606 814	25 606 814
Balance at 01 July 2011	**60 905 263**	**60 905 263**
Changes in net assets		
Surplus for the year	38 531 902	38 531 902
Total changes	38 531 902	38 531 902
Balance at 30 June 2012	**99 437 165**	**99 437 165**

Note(s)

CASH FLOW STATEMENT

	Note(s)	2012 R	2011 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		30 112 964	39 316 953
Grants		37 326 588	36 183 646
Interest income		9 556 520	7 266 201
Other receipts		513 604	1 535 869
Other cash item		2 559 067	2 224 855
		80 068 743	86 527 524
Payments			
Employee costs		(30 495 899)	(30 773 269)
Suppliers		(26 273 484)	(38 782 251)
Finance costs		(132 109)	(157 876)
		(56 901 492)	(69 713 396)
Total receipts		80 068 743	86 527 524
Total payments		(56 901 492)	(69 713 396)
Net cash flows from operating activities	28	**23 167 251**	**16 814 128**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	2	(21 341 323)	(16 283 545)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of non-current borrowings		(56 571)	(76 741)
Net cash flows from financing activities		**(56 571)**	**(121 128)**
Net increase/(decrease) in cash and cash equivalents		**1 769 357**	**409 455**
Cash and cash equivalents at the beginning of the year		741 406	331 951
Cash and cash equivalents at the end of the year	5	**2 510 763**	**741 406**

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

These accounting policies are consistent with the previous period.

1.1 INVESTMENT PROPERTY

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

FAIR VALUE

Subsequent to initial measurement investment property is measured at fair value.

Under the fair value model, investment propety is carried at its fair value at the reporting date. Any gain or loss arising from the change in the fair value of the property is included in surplus or deficit for the period in which it arises

1.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

ACCOUNTING POLICIES

1.2 PROPERTY, PLANT AND EQUIPMENT (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

ITEM	AVERAGE USEFUL LIFE
Plant and machinery	4 - 5
Furniture and fixtures	5 - 7
Motor vehicles	4 - 10
Office equipment	5 - 7
IT equipment	5 - 10
Infrastructure	
• Highmast Lights	30

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

ACCOUNTING POLICIES

1.2 PROPERTY, PLANT AND EQUIPMENT (continued)

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.3 INTANGIBLE ASSETS

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period, amortisation method and the residual value for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

ACCOUNTING POLICIES

1.4 FINANCIAL INSTRUMENTS

INITIAL RECOGNITION AND MEASUREMENT

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

SUBSEQUENT MEASUREMENT

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

IMPAIRMENT OF FINANCIAL ASSETS

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

ACCOUNTING POLICIES

1.4 FINANCIAL INSTRUMENTS (continued)

RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially measured at fair value and subsequently measured at amortised cost.

BANK OVERDRAFT AND BORROWINGS

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

DERIVATIVES

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

ACCOUNTING POLICIES

1.4 FINANCIAL INSTRUMENTS (continued)

HELD TO MATURITY

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

DERECOGNITION

FINANCIAL ASSETS

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

1.5 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

ACCOUNTING POLICIES

1.5 LEASES (continued)

FINANCE LEASES - LESSOR

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

FINANCE LEASES - LESSEE

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

OPERATING LEASES - LESSOR

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

OPERATING LEASES - LESSEE

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.6 INVENTORIES

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

ACCOUNTING POLICIES

1.6 INVENTORIES (continued)

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.7 NON-CURRENT ASSETS HELD FOR SALE AND DISPOSAL GROUPS

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.8 IMPAIRMENT OF CASH-GENERATING ASSETS

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

IDENTIFICATION

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

ACCOUNTING POLICIES

1.8 IMPAIRMENT OF CASH-GENERATING ASSETS (continued)

VALUE IN USE

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

DISCOUNT RATE

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

RECOGNITION AND MEASUREMENT (INDIVIDUAL ASSET)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

ACCOUNTING POLICIES

1.8 IMPAIRMENT OF CASH-GENERATING ASSETS (continued)

REVERSAL OF IMPAIRMENT LOSS

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

REDESIGNATION

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.9 IMPAIRMENT OF NON-CASH-GENERATING ASSETS

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

ACCOUNTING POLICIES

1.9 IMPAIRMENT OF NON-CASH-GENERATING ASSETS (continued)

IDENTIFICATION

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

VALUE IN USE

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

RECOGNITION AND MEASUREMENT

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

REVERSAL OF AN IMPAIRMENT LOSS

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

REDESIGNATION

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

ACCOUNTING POLICIES

1.10 EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance and a reliable estimate can be made.

DEFINED CONTRIBUTION PLANS

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined contribution plans are post-employment benefit plans which the municipality pays fixed contributions into a fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DEFINED BENEFIT PLANS

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

ACCOUNTING POLICIES

1.11 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

ACCOUNTING POLICIES

1.11 PROVISIONS AND CONTINGENCIES (continued)

A contingent liability is: (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or (b) a present obligation that arises from past events but is not recognised because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

DECOMMISSIONING, RESTORATION AND SIMILAR LIABILITY

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.8 and 1.9.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.12 REVENUE FROM EXCHANGE TRANSACTIONS

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

MEASUREMENT

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

SALE OF GOODS

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

ACCOUNTING POLICIES

1.12 REVENUE FROM EXCHANGE TRANSACTIONS (continued)

RENDERING OF SERVICES

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

INTEREST

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.13 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

MEASUREMENT

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

RATES, INCLUDING COLLECTION CHARGES AND PENALTIES INTEREST

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

ACCOUNTING POLICIES

1.13 REVENUE FROM NON-EXCHANGE TRANSACTIONS (continued)

FINES

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. Revenue from spot fines and summonses is recognised when payment is received.

GOVERNMENT GRANTS

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.14 INVESTMENT INCOME

Investment income is recognised on a time-proportion basis using the effective interest method.

1.15 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

ACCOUNTING POLICIES

1.16 COMPARATIVE FIGURES

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.17 UNAUTHORISED EXPENDITURE

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.20 BUDGET INFORMATION

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

1.21 RELATED PARTIES

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

ACCOUNTING POLICIES

1.21 RELATED PARTIES (continued)

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R

2. PROPERTY, PLANT AND EQUIPMENT

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	260 725	-	260 725	260 725	-	260 725
Plant and machinery	2 698 301	(1 511 384)	1 186 917	2 698 301	(1 296 345)	1 401 956
Furniture and fixtures	1 212 221	(1 046 020)	166 201	1 212 221	(890 517)	321 704
Motor vehicles	2 093 995	(1 782 521)	311 474	2 093 995	(1 638 076)	455 919
Office equipment	97 380	(40 524)	56 856	78 490	(26 331)	52 159
IT equipment	1 140 719	(911 477)	229 242	1 129 519	(761 572)	367 947
Infrastructure	375 162	(34 816)	340 346	375 162	(23 210)	351 952
Capital work in progress	108 759 612	-	108 759 612	87 448 379	-	87 448 379
Total	**116 638 115**	**(5 326 742)**	**111 311 373**	**95 296 792**	**(4 636 051)**	**90 660 741**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2012

	Opening balance	Additions	Depreciation	Total
Land	260 725	-	-	260 725
Plant and machinery	1 401 956	-	(215 040)	1 186 917
Furniture and fixtures	321 704	-	(155 503)	166 201
Motor vehicles	455 919	-	(144 444)	311 474
Office equipment	52 159	18 890	(14 193)	56 856
IT equipment	367 947	11 200	(149 906)	229 242
Infrastructure	351 952	-	(11 605)	340 346
Capital work in progress	87 448 379	21 311 233	-	108 759 612
	90 660 741	**21 341 323**	**(690 691)**	**111 311 373**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2011

	Opening balance	Additions	Depreciation	Total
Land	260 725	-	-	260 725
Plant and machinery	1 421 556	221 928	(241 527)	1 401 956
Furniture and fixtures	549 531	-	(227 828)	321 704
Motor vehicles	757 628	-	(301 709)	455 919
Office equipment	34 396	26 950	(9 188)	52 159
IT equipment	495 076	49 825	(176 954)	367 947
Infrastructure	363 557	-	(11 605)	351 952
Capital work in progress	71 463 537	15 984 842	-	87 448 379
	75 346 006	**16 283 545**	**(968 811)**	**90 660 741**

PLEDGED AS SECURITY

There were no assets pledged or ceded as secutiry for the year ended 30 June 2012 or 30 June 2011.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Trade debtors	861 586	69 390
Suspense	11 246	11 246
Sundry debtors	189 361	148 379
Private telephone accounts	39 862	39 862
Salary deduction control account	(1 143 829)	(5 233)
Insurance debtor	491 575	641 876
Pensioners control account	405 800	344 434
	855 601	**1 249 954**
4. CONSUMER DEBTORS		
GROSS BALANCES		
Rates	5 264 445	5 220 027
Electricity	8 821 758	4 933 187
Water	20 045 825	15 843 146
Sewerage	24 348 792	19 688 251
Refuse	17 712 341	15 369 893
VAT on debtors accounts	2 875 660	7 537 067
Debtors interest	38 127 050	31 526 330
Debtors cash in advance	(54 659)	(1 140 741)
Sundry	3 461 377	4 150 725
	120 602 589	**103 127 885**
LESS: PROVISION FOR DEBT IMPAIRMENT		
Provision for doubtful debt	(77 914 195)	(75 561 194)
NET BALANCE		
Rates	5 264 445	5 220 027
Electricity	8 821 758	4 933 187
Water	20 045 825	15 843 146
Sewerage	24 348 792	19 688 251
Refuse	17 712 341	15 369 893
VAT on debtors accounts	2 875 660	7 537 067
Debtors interest	38 127 050	31 526 330
Debtors cash in advance	(54 659)	(1 140 741)
Provision for doubtful debts	(74 452 818)	(71 410 469)
	42 688 394	**27 566 691**
RECONCILIATION OF DEBT IMPAIRMENT PROVISION		
Balance at beginning of the year	(75 561 194)	(72 907 000)
Contributions to provision	(2 353 001)	(2 654 194)
	(77 914 195)	**(75 561 194)**
5. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
5. CASH AND CASH EQUIVALENTS (continued)		
Cash on hand	5 350	62
FNB money market account	214 982	211 024
FNB MIG call account	5 319 700	4 010 197
Library funds	1 234 093	-
Bank overdraft	(4 263 362)	(3 479 877)
	2 510 763	**741 406**
Current assets	6 774 125	4 221 283
Current liabilities	(4 263 362)	(3 479 877)
	2 510 763	**741 406**
6. NON-CURRENT BORROWINGS	-	-
Long term-portion	745	57 316
Current-portion		
7. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
UNSPENT CONDITIONAL GRANTS AND RECEIPTS COMPRISES OF:		
UNSPENT CONDITIONAL GRANTS AND RECEIPTS	7 323 674	1 635 670
Municipal Infrastructure Grant	824 599	575 269
Municipal Systems Improvement Grant	632 622	280 032
Financial Management Grant	70 883	51 319
LG SETA Grant	378 732	359 779
Department of Local Government & Housing	4 958 602	3 677 772
Department of Sport Art & Culture	3 461 693	2 961 693
Department of Sport Art & Culture - Library	1 300 000	1 300 000
SDR Fund - Glaudina	1 439 130	1 439 130
District Municipality Grant	1 381 835	1 381 835
Department of Local Government & Housing - Fire	**21 771 770**	**13 662 499**

	2012 R	2011 R

8. PROVISIONS

RECONCILIATION OF PROVISIONS - 2012

	Opening balance	Additions	Utilised during the year	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	(2 245 140)	(127 973)	-	-	(2 373 113)
Long service awards	1 456 082	267 918	(136 871)	(146 452)	1 440 677
Continued medical aid contributions	6 941 051	872 472	(247 778)	(265 122)	7 300 623
	10 642 273	**1 268 363**	**(384 649)**	**(411 574)**	**11 114 413**

RECONCILIATION OF PROVISIONS - 2011

	Opening balance	Additions	Utilised during the year	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	2 124 068	121 072	-	-	2 245 140
Long service awards	1 335 856	188 034	(67 807)	(72 553)	1 383 529
Continued medical aid contributions	6 367 937	792 145	(219 031)	(234 363)	6 706 688
	9 827 861	**1 101 251**	**(286 838)**	**(306 916)**	**10 335 357**

Non-current liabilities	11 114 413	10 335 357
Current liabilities	411 574	306 916
	11 525 987	**10 642 273**

Landfill sites provisions are made in order to provide for future costs to restore sites to their original condition.

Long-service awards are initially payable after 10 years and thereafter every 15 years of continuous service. The provision is an estimate of the long-service based on the current staff compliment and remuneration adjusted for fair value.

Continued medical aid contributions are paid on behalf of former officials who have retired at retirement age after at least 10 consecutive years in the service of the municipality. The provision is an estimate of the continued medical aid contributions based on the current staff complement and pensioners adjusted for fair value

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
9. PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade payables	3 122 117	1 630 113
Other payables	-	5 440
Accruals	2 709 951	6 478 414
Leave accrual	4 436 470	5 832 385
Outstanding insurance claim	332 970	410 186
Salary deductions control	2 559 222	1 900 314
Pensioners control account	(49 296)	56 896
Suspense accounts	600	-
Private telephone account	4 716	9 688
Cash control account	12 012 898	15 622 227
	25 129 648	**31 945 663**
10. VAT PAYABLE		
Tax refunds payables	-	2 120 573

VAT is payable on the receipts basis. Only once payment is received from debtors, the VAT portion of the receipt is paid over to SARS with input VAT only claimed when payment is made to creditors.

11. CONSUMER DEPOSITS		
Consumer deposits	580 334	558 871
Community hall deposits	18 217	18 294
Erf deposits	312 465	308 040
	911 016	**885 205**
12. REVENUE		
Property rates	6 201 232	5 743 635
Service charges	42 320 075	33 573 318
Fines	-	8 400
Licences and permits	2 559 067	2 224 855
Government grants & subsidies	37 326 588	36 183 646
	88 406 962	**77 733 854**
THE AMOUNT INCLUDED IN REVENUE ARISING FROM EXCHANGES OF GOODS OR SERVICES ARE AS FOLLOWS:		
Service charges	42 320 075	33 573 318
Licences and permits	2 559 067	2 224 855
	44 879 142	**35 798 173**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
12. REVENUE (continued)		
THE AMOUNT INCLUDED IN REVENUE ARISING FROM NON-EXCHANGE TRANSACTIONS IS AS FOLLOWS:		
TAXATION REVENUE	6 201 232	5 743 635
Property rates	-	8 400
Fines		
TRANSFER REVENUE	37 326 588	36 183 646
Government grants & subsidies	**43 527 820**	**41 935 681**
13. PROPERTY RATES		
RATES RECEIVED		
Residential	6 201 232	5 743 635
14. SERVICE CHARGES		
Sale of electricity	18 530 983	14 810 694
Sale of water	10 888 817	7 804 952
Sewerage and sanitation charges	7 996 223	6 547 840
Refuse removal	4 904 052	4 409 832
	42 320 075	**33 573 318**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
15. GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	27 748 300	24 380 374
Department of developmental local government	33 253	1 925 824
Department of Sports Arts & Culture	34 959	-
Municipal Systems Improvement Grant	500 670	43 477
Financial Management Grant	897 410	842 881
MIG Conditional Grant	8 111 996	8 991 090
	37 326 588	**36 183 646**

EQUITABLE SHARE

This grant is used to fund the operations of the municipality in accordance with the approved MTREF budget.

MUNICIPAL INFRASTRUCTURE GRANT

Balance unspent at beginning of year	1 635 670	1 825 761
Current-year receipts	13 800 000	8 801 000
Conditions met - transferred to revenue	(8 111 996)	(8 991 091)
	7 323 674	**1 635 670**

Conditions still to be met - remain liabilities (see note 7).

This grant is used to construct various roads infrastructure as part of the upliftment of poorer communities. No funds have been withheld.

MUNICIPAL SYSTEMS IMPROVEMENT GRANT

Balance unspent at beginning of year	575 269	(131 254)
Current-year receipts	750 000	750 000
Conditions met - transferred to revenue	(500 670)	(43 477)
	824 599	**575 269**

Conditions still to be met - remain liabilities (see note 7).

This grant is used to improve municipal systems. No funds have been withheld.

FINANCIAL MANAGEMENT GRANT

Balance unspent at beginning of year	280 032	122 913
Current-year receipts	1 250 000	1 000 000
Conditions met - transferred to revenue	(897 410)	(842 881)
	632 622	**280 032**

Conditions still to be met - remain liabilities (see note 7).

This grant is used to improve municipal systems. No funds have been withheld.

LG SETA GRANT

Balance unspent at beginning of year	51 319	51 319
Current-year receipts	19 564	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
15. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Conditions met - transferred to revenue	-	-
	70 883	**51 319**

Conditions still to be met - remain liabilities (see note 7).

DEPARTMENT OF LOCAL GOVERNMENT & HOUSING

Balance unspent at beginning of year	359 779	627 005
Current-year receipts	52 207	1 658 598
Conditions met - transferred to revenue	(33 254)	(1 925 824)
	378 732	**359 779**

Conditions still to be met - remain liabilities (see note 7).

DEPARTMENT OF SPORT ART AND CULTURE

Balance unspent at beginning of year	3 677 772	3 684 561
Current-year receipts	1 315 789	-
Conditions met - transferred to revenue	(34 959)	(6 789)
	4 958 602	**3 677 772**

Conditions still to be met - remain liabilities (see note 7).

This grant is used to fund various community sports projects and libraries. No funds have been withheld.

DEPARTMENT OF SPORT ART AND CULTURE - LIBRARY FUNDS

Balance unspent at beginning of year	2 961 693	2 961 693
Current-year receipts	500 000	-
	3 461 693	**2 961 693**

Conditions still to be met - remain liabilities (see note 7).

This grant is used to fund the Ipelegeng library project.

SDR FUND - GLAUDINA

Balance unspent at beginning of year	1 300 000	1 300 000
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	1 300 000	**1 300 000**

Conditions still to be met - remain liabilities (see note 7).

DISTRICT MUNICIPALITY GRANT

Balance unspent at beginning of year	1 439 130	1 439 130

Conditions still to be met - remain liabilities (see note 7).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R

15. GOVERNMENT GRANTS AND SUBSIDIES (continued)

DEPARTMENT OF LOCAL GOVERNMENT & HOUSING - FIRE

Balance unspent at beginning of year	1 381 835	1 381 835
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	1 381 835	**1 381 835**

Conditions still to be met - remain liabilities (see note 7).

16. OTHER INCOME

Sundry Income	-	264
Bid documents	-	800
Clearance certificates	-	186
Valuation certificates	-	1 742
Sales: erven	75 566	63 211
Rent: housing	626	60 963
Cemetery fees	-	121 469
Garden refuse	-	943
Plastic bags	6 540	32
Plan fees	-	22 226
Connection fees	2 180	18 650
Private works	-	66 065
Prepaid sales	45 836	695 350
Re-connection fees	240	49 867
Other		200
	130 988	**1 101 968**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
17. GENERAL EXPENSES		
Advertising	65 605	14 664
Auditors remuneration	54 321	137 179
Bank charges	578 419	120 543
Consulting and professional fees	618 151	76 939
Cleaning materials and consumables	143 812	128 465
Donations	99 800	25 080
Fines and penalties	36 847	4 016
Connection fees refunds	18 021	-
Community hall refund	5 418	12 808
Insurance	1 511 250	1 365 361
Community development and training	38 350	20 700
Congresses and conferences	48 544	3 000
Internet charges	2 040	9 216
Rental equipments	967 604	1 008 395
Books and publications	5 360	24 328
Mayoral inauguration	34 687	-
Fuel and oil	920 505	845 801
Postage and courier	139 716	201 027
Printing and stationery	375 409	420 228
Uniforms and protective clothing	38 474	97 936
Security (guarding of municipal property)	230 807	143 551
Software expenses	162 590	204 445
Refreshments and meals	146 915	28 938
Subscriptions and membership fees	62 479	39 300
Telephone and fax	222 085	329 227
Transport and freight	17 393	-
Training	133 498	81 521
Travel and subsistence: officials	801 233	702 611
Travel and subsistence: councillors	336 596	111 999
Electricity	444 255	296 259
Pauper burials	7 305	5 834
Sundry expenses	80 364	88 558
Vehicles: licenses	78	14 996
Workmans's compensation	232 153	219 169
Special projects	-	56 400
Venue expenses	-	32 246
Billing charges	104 750	104 750
Chemicals	-	328
Convention bureau	128 722	-
Hostel charges	65 820	
	8 879 376	**6 975 818**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
18. EMPLOYEE RELATED COSTS		
Basic	15 039 170	14 449 171
Bonus	1 118 496	1 082 140
Medical aid - company contributions	2 692 436	2 500 347
UIF	184 031	182 581
SDL	222 736	200 276
Bargaining Council Contribution	7 483	7 802
Group Insurance	183 801	163 099
Post-employment benefits - Pension - Defined contribution plan	3 014 017	2 889 556
Travel, motor car, accommodation, subsistence and other allowances	1 515 865	1 314 426
Overtime payments	2 953 536	2 741 570
Long-service awards	267 918	188 034
Acting allowances	357 259	139 075
Housing benefits and allowances	760 806	595 813
Other employee related costs	(927 291)	1 900 079
	27 390 263	**28 353 969**
REMUNERATION OF MUNICIPAL MANAGER - R GINCANE		
Annual remuneration	493 451	493 451
Car allowance	123 363	123 363
Housing	243 107	205 605
Telephone	-	400
Other allowance	70 721	-
	930 642	**822 819**
REMUNERATION OF CHIEF FINANCE OFFICER - MS S MINI		
Annual remuneration	180 000	-
Car allowance	45 000	-
Contributions to UIF, medical and pension funds	3 093	-
Housing	71 907	-
	300 000	-

There were no direct costs until January 2012 as the CFO from the District was acting as the CFO of the Municipality. CFO was then appointed in February 2012

REMUNERATION OF OTHER DIRECTORS: MR MASOBE & RAMABODU		
Annual remuneration	638 778	537 550
Car allowance	124 256	122 342
Contributions to UIF, Medical and Pension Funds	57 244	-
Housing	252 216	196 478
Telephone	10 000	4 088
	1 082 494	**860 458**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
19. REMUNERATION OF COUNCILLORS		
Mayor	293 154	315 901
Councillors	1 450 752	1 049 069
Councillors' pension, medical aid and SDL contributions	350 353	259 747
Councillors' allowances	1 011 377	807 361
	3 105 636	**2 432 078**
20. DEBT IMPAIRMENT		
Contributions to debt impairment provision	2 353 001	2 654 194
21. INVESTMENT REVENUE		
INTEREST REVENUE	415 148	144 075
Interest earned - external investment	-	140
Bank	9 141 372	7 121 986
Interest charged on trade and other receivables	**9 556 520**	**7 266 201**
	-	-
	9 556 520	7 266 201
22. DEPRECIATION AND AMORTISATION		
Property, plant and equipment	690 691	968 811
23. FINANCE COSTS		
DBSA loan	3 573	18 750
Bank	128 536	139 126
	132 109	**157 876**
24. AUDITORS' REMUNERATION		
Fees	54 321	137 179
25. CONTRACTED SERVICES		
Professional fees	1 019 619	390 708
Valuations	2 280	33 807
	1 021 899	**424 515**
26. GRANTS AND SUBSIDIES PAID		
OTHER SUBSIDIES	1 200	-
Sports projects	-	-
Grants paid to ME's	1 200	-
Other subsidies		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
27. BULK PURCHASES		
Electricity	14 233 266	15 555 263
Water	18 984	10 628
	14 252 250	**15 565 891**
28. CASH GENERATED FROM OPERATIONS		
Surplus	38 531 902	25 606 814
ADJUSTMENTS FOR:		
Depreciation and amortisation	690 691	968 811
Movements in provisions	883 708	814 410
CHANGES IN WORKING CAPITAL:		
Receivables from exchange transactions	394 353	106 969
Consumer debtors	(15 121 703)	(10 669 191)
Payables from exchange transactions	(6 816 009)	3 079 733
VAT	(3 530 773)	(3 522 851)
Unspent conditional grants and receipts	8 109 271	399 536
Consumer deposits	25 811	29 897
	23 167 251	**16 814 128**

29. RELATED PARTIES

Councillors, the Municipal Manager and section 57 personnel reporting to the Municipal Manager are considered related parties in light of their control over the municipality as councillors and their management position in terms of positions held in the municipality. No inter-party business transactions took place between the Mamusa Local Municipality and these persons and their close family members for the year under review. Details relating to their remuneration are disclosed in the notes above. Normal consumer services rendered to the public have also been rendered to the mentioned parties at approved tariffs that were advertised to the public.

30. RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

LIQUIDITY RISK

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

CREDIT RISK

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R
31. UNAUTHORISED EXPENDITURE		
Unauthorised expenditure	29 860 907	29 860 907
Unauthorised expenditure - current year	-	-
	29 860 907	**29 860 907**
32. FRUITLESS AND WASTEFUL EXPENDITURE		
Fruitless and wasteful expenditure	3 298 138	3 298 138
Fruitless and wasteful expenditure - current year	-	-
	3 298 138	**3 298 138**
33. IRREGULAR EXPENDITURE		
Opening balance	6 381 325	6 381 325
Add: Irregular Expenditure - current year	-	-
Less: Amounts condoned	-	-
Less: Amounts recoverable (not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-
	6 381 325	**6 381 325**

34. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

MATERIAL LOSSES THROUGH CRIMINAL CONDUCT

No material losses or material irregular or fruitless and wasteful expenditures or material unauthorised expenditure had occurred during the financial year ended 30 June 2012 or 30 June 2011.

AUDIT FEES

Opening balance	1 021 122	1 021 122
Current year subscription / fee	54 321	-
Amount paid - current year	-	-
Amount paid - previous years	(350 621)	-
	724 822	**1 021 122**

The balance carried forward represents unpaid audit fees due to Auditor General.

PAYE AND UIF

Opening balance	276 923	(948)
Current year subscription / fee	4 201 549	2 705 693
Amount paid - current year	(4 478 472)	(2 427 822)
	-	**276 923**

PENSION AND MEDICAL AID DEDUCTIONS

Current year subscription / fee	7 421 764	5 028 754
Amount paid - current year	(7 421 764)	(5 028 754)
	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2012 R	2011 R

34. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

COUNCILLORS' ARREAR CONSUMER ACCOUNTS

No Councillors had arrear accounts outstanding for more than 30 days for the year ended 30 June 2012 and 30 June 2011.

SUPPLY CHAIN MANAGEMENT REGULATIONS

No non-compliance with Chapter 11 of the MFMA.